

Message Text

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ACTION EA-12

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FM AMEMBASSY WELLINGTON
TO SECSTATE WASHDC PRIORITY 5879
AMEMBASSY TOKYO PRIORITY
INFO USMISSION GENEVA PRIORITY
AMEMBASSY BRUSSELS
AMEMBASSY CANBERRA
AMCONSUL AUCKLAND

C O N F I D E N T I A L SECTION 1 OF 3 WELLINGTON 3607

USMTN
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EO 11652: GDS
TAGS: ETRD, EFIS, EAGR, JA, NZ, MTN
SUBJECT: NEW ZEALAND AND JAPAN REACH AGREEMENT ON TRADE
- MATTERS

REF: (A) TOKYO 9539, (B) WELLINGTON 3334

BEGIN SUMMARY: VISIT OF JAPANESE MINISTER OF AGRICULTURE
NAKAGAWA HERE IN LATE JUNE PRODUCED COMPROMISE SOLUTION
TO TRADE POLICY DISPUTE BETWEEN THE TWO NATIONS.
THE DETAILS OF THE AGREEMENT ARE SECRET, BUT
IT APPEARS AS IF NEW ZEALAND RECEIVED SOME PREFERENTIAL
ACCESS TO THE JAPANESE MARKET FOR ITS DAIRY PRODUCTS
AND SOME TARIFF CONCESSIONS FOR FISH. NEW ZEALANDERS
FEEL FOR THE FIRST TIME THEY WERE ABLE TO FORCE THE
JAPANESE TO TAKE SOME NOTICE OF THIS COUNTRY'S
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LEGITIMATE TRADE INTERESTS. AS A QUID PRO QUO, NEW
ZEALAND HAS AGREED TO BEGIN TALKS LATE THIS MONTH
WITH JAPAN ON FISHING RIGHTS IN NEW ZEALAND'S 200-MILE
ECONOMIC ZONE. END SUMMARY.

1. VISIT HERE OF ICHIRO NAKAGAWA, JAPANESE MINISTER
OF AGRICULTURE, RESULTED ON JUNE 30 IN AN APPARENT

RESOLUTION OF THE TRADE POLICY DISPUTE THAT HAS CLOUDED RELATIONS BETWEEN THE TWO COUNTRIES OVER THE PAST SEVERAL MONTHS. UNFORTUNATELY, AT THE REQUEST OF THE JAPANESE GOVERNMENT THE DETAILS OF THE AGREEMENT HAVE BEEN KEPT SECRET TO AVOID COMPLICATIONS WITH JAPAN'S OTHER TRADING PARTNERS, PRINCIPALLY THE U.S. AND EC. PRIME MINISTER MULDOON HAS STATED THAT HE WOULD RATHER HAVE HAD A PUBLIC DOCUMENT, BUT FACED WITH JAPANESE INSISTENCE ON SECRECY, HE FELT IT NECESSARY TO HONOR MR. NAKAGAWA'S WISHES. OUR OWN EFFORTS IN SEVERAL AREAS TO PIERCE THE VEIL HAVE YIELDED LITTLE OF SUBSTANCE. FROM HERE IT APPEARS AS IF AN ELEMENT OF JAPANESE CONCERN IS THE CLOSE SIMILARITY OF THE BILATERAL ISSUES TO SUBJECTS BEING NEGOTIATED AT THE MTN, AND THERE IS REASON TO BELIEVE THAT AS THE MTN PACKAGE EVOLVES SO TOO WILL DETAILS OF THE N.Z.-JAPANESE AGREEMENT EMERGE.

2. IN THE MEANTIME, FOR THE RECORD WE QUOTE BELOW THE "AGREED" STATEMENT DRAFTED BY THE NEW ZEALANDERS AND APPROVED BY THE JAPANESE. MR. NAKAGAWA WOULD NOT, HOWEVER, SUBSCRIBE TO A JOINT STATEMENT. TEXT FOLLOWS:

MR. NAKAGAWA RECOGNIZED THAT NEW ZEALAND IS A HIGHLY EFFICIENT PRODUCER OF BOTH MEAT AND DAIRY PRODUCTS,
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THAT EXPORTS OF THESE ARE OF CRITICAL IMPORTANCE TO THE NEW ZEALAND ECONOMY, AND THAT CONTINUING EXPANSION OF THESE EXPORTS, ON A STABLE AND SECURE BASIS, IS A VITAL ELEMENT IN NEW ZEALAND'S TRADING RELATIONSHIPS.

MR. NAKAGAWA CONFIRMED THAT THE JAPANESE GOVERNMENT RECOGNIZES THE IMPORTANCE TO NEW ZEALAND OF ITS DAIRY EXPORTS AND ITS POSITION IN WORLD TRADE AS AN EFFICIENT DAIRY PRODUCER. MR. NAKAGAWA TOOK NOTE OF THE FACT THAT NEW ZEALAND'S DAIRY EXPORTS ARE NOT SUBSIDIZED AND EXPRESSED HIS VIEW THAT NEW ZEALAND IS THE MOST IMPORTANT AND MOST RELIABLE SUPPLIER OF DAIRY PRODUCTS; AND THAT WHEN THE LIPC, AS A STATE TRADING ORGANIZATION, NEEDS TO IMPORT BUTTER AND/OR SKIM MILK POWDER, IT WILL TAKE ACCOUNT OF THESE CONSIDERATIONS.

MR. MULDOON SAID THAT MR. NAKAGAWA AND HE DISCUSSED CERTAIN CONSULTATIVE PROCEDURES COVERING TRADE IN DAIRY PRODUCTS; HE HAS DISCUSSED THESE WITH THE NEW ZEALAND DAIRY BOARD AND THEY WERE ACCEPTABLE

TO THE BOARD.

THERE WERE ALSO USEFUL DISCUSSIONS ON TRADE IN SKIM MILK POWDER FOR VARIOUS JAPANESE INTERNAL PROGRAMMES AND THE USE OF NEW ZEALAND DAIRY PRODUCTS IN JAPANESE AID PROGRAMMES.

MR. NAKAGAWA POINTED OUT THAT SINCE 1975 JAPAN'S IMPORTS OF BEEF HAD BEEN STABLE. THE JAPANESE GOVERNMENT WAS MAKING A SERIOUS EFFORT TO INCREASE THE CONSUMPTION OF BEEF IN JAPAN AND THIS EFFORT WAS BEGINNING

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TO SHOW RESULTS. HE EXPECTED THAT IMPORTS WOULD INCREASE IN THE FUTURE AS MARKET DEMAND IN JAPAN EXPANDED.

BOTH MINISTERS AGREED THAT OFFICIALS OF BOTH COUNTRIES WOULD MEET REGULARLY TO EXCHANGE INFORMATION ON THE BEEF SUPPLY AND DEMAND SITUATION.

MR. NAKAGAWA STATED THAT THE FUTURE ALLOCATIONS OF CHILLED AND FROZEN BEEF WOULD BE ESTABLISHED IN ACCORDANCE WITH MARKET REQUIREMENTS.

AS REGARDS "HIGH QUALITY BEEF" MR. NAKAGAWA EXPLAINED THAT IMPORTS WOULD BE MADE ON A GLOBAL BASIS.

MR. MULDOON EXPRESSED THE STRONG HOPE THAT THIS WOULD NOT LEAD TO A DIMINISHED OPPORTUNITY FOR THE TYPES OF BEEF IN WHICH NEW ZEALAND IS PRIMARILY INTERESTED.

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MR. MULDOON AND MR. NAKAGAWA DISCUSSED THE PROGRESS OF JAPAN'S ASSESSMENT OF THE SUITABILITY OF SAWN PINUS RADIATA AS A CONSTRUCTION TIMBER. CONCERN WAS EXPRESSED ABOUT THE LENGTH OF TIME BEING TAKEN TO COMPLETE THIS ASSESSMENT. IT WAS NOTED THAT AN INVITATION HAS BEEN ISSUED FOR JAPANESE EXPERTS TO VISIT NEW ZEALAND AT AN EARLY DATE TO FURTHER THE STUDY. A SATISFACTORY CONCLUSION TO THE ASSESSMENT WOULD MEAN THAT PINUS RADIATA WOULD BE RECLASSIFIED AS SUITABLE FOR CONSTRUCTION PURPOSES.

MR. MULDOON SAID THAT MR. NAKAGAWA HAD ASSURED HIM THAT JAPAN WOULD GIVE A POSITIVE RESPONSE IN THE MTN IN SOME OF THE REQUESTS THAT NEW ZEALAND HAD PUT TO JAPAN ON FISH.

BOTH MINISTERS REAFFIRMED THE COMMITMENT THAT JAPAN AND NEW ZEALAND WERE WORKING TOWARDS A SUCCESSFUL CONCLUSION TO THE TOKYO ROUND OF THE GATT:MTN. THE TWO MINISTERS AGREED THAT THE QUESTION OF IMPROVEMENTS IN THE CONDITIONS OF ACCESS TO THE JAPANESE MARKET FOR NEW ZEALAND'S AGRICULTURAL AND FOREST PRODUCTS WAS A CONTINUING ONE. MR. MULDOON INDICATED THAT IT WOULD BE PURSUED IN BOTH BILATERAL AND MULTILATERAL NEGOTIATIONS. IT WAS HIS CONFIDENT EXPECTATION THAT THE UNDERSTANDINGS REACHED DURING HIS TALKS WITH MR. NAKAGAWA WOULD LEAD TO IMPROVED ECONOMIC AND TRADE RELATIONS.

WITH THIS EXPECTATION IN MIND, MR. MULDOON INDICATED THAT NEW ZEALAND WAS PREPARED TO EMBARK ON NEGOTIATIONS WITH JAPAN LEADING TO AN AGREEMENT ON JAPAN'S ACCESS TO THE FISHERIES RESOURCES IN NEW ZEALAND'S 200-MILE
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EXCLUSIVE ECONOMIC ZONE. THE TWO MINISTERS AGREED THAT THE NEGOTIATIONS WOULD BE STARTED AT THE EARLIEST POSSIBLE DATE IN JULY 1978. END TEXT.

3. FROM CONVERSATIONS WITH NEW ZEALAND GOVERNMENT

OFFICIALS AND THE JAPANESE EMBASSY, AS WELL AS THROUGH READING PRESS SPECULATIONS, WE HAVE PIECED TOGETHER OUR BEST GUESS OF THE DETAILS OF THE AGREEMENT. WE HAVE ALSO BEEN TOLD THAT THE ACTUAL AGREEMENT DIFFERS LITTLE FROM THE AGREED STATEMENT, THE EXCEPTIONS BEING IN THE AREAS OF DAIRY PRODUCTS AND FISH.

(A) DAIRY PRODUCTS. IT IS HERE THAT THE NEW ZEALANDERS SEEM TO HAVE ACHIEVED THE MOST MOVEMENT. NOT ONLY HAVE THE JAPANESE AGREED TO USE NEW ZEALAND DAIRY PRODUCTS ON A CONTINUING BASIS IN A STEPPED-UP AID PROGRAM, BUT THEY SEEM TO HAVE AGREED TO GIVE THE NEW ZEALANDERS SOME PREFERENTIAL ACCESS TO THE HOME MARKET, PERHAPS WITH PARTICULAR RESPECT TO CHEESE. IN HIS JULY 3 PRESS CONFERENCE, PRIME MINISTER MULDOON SAID OF THE JAPANESE AGREEMENT: "I COULD REFER TO THEM AS PREFERENTIAL TREATMENT AND I THINK THAT'S THE BEST TERM TO USE. BUT ON A REASONABLE BASIS..." IN HIS EARLIER JUNE 30 CONFERENCE, THE PRIME MINISTER ALSO EMPHASIZED THAT THE AGREEMENT WITH THE JAPANESE WAS "CONSIDERED TO BE WELL WORTHWHILE BY THE NEW ZEALAND DAIRY BOARD."

(B) NEW ZEALAND FISH EXPORTS. WE SUSPECT THE JAPANESE AGREED TO REDUCE BY HALF THE 10 PERCENT DUTY ON NEW ZEALAND SQUID EXPORTS AND AGREED TO REDUCE DUTY ON CERTAIN FIN FISH VARIETIES. AS IT IS UNDERSTOOD THE LATTER REDUCTIONS WILL BE PART OF JAPAN'S MTN OFFER AS WELL, IT IS THOUGHT THE REQUEST FOR SECRECY HERE WAS SIMPLY IN ORDER THAT THE JAPANESE

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NOT BE FORCED TO EXPOSE THEIR MTN CARDS BEFORE THE
END OF THE CURRENT GENEVA SESSION.

(C) BEEF. THE JAPANESE HAVE AGREED TO "CONSULT" WITH
THE NEW ZEALANDERS ON THEIR IMPORTED BEEF NEEDS.
FROM WHAT IS AVAILABLE TO US, THIS DOES NOT SEEM TO
GO MUCH BEYOND A COMMITMENT TO INCLUDE N.Z. AMONG
POTENTIAL SUPPLIERS IF AND WHEN ADDITIONAL BEEF IMPORTS
ARE DESIRED.

(D) SAWN TIMBER. THE JAPANESE SEEMED TO HAVE OFFERED
NOTHING NEW HERE, EXCEPT TO REAFFIRM THEIR WILLINGNESS
TO CONTINUE TECHNICAL INVESTIGATIONS AS TO WHETHER
N.Z. TIMBER IS SUITABLE FOR JAPANESE CONSTRUCTION.
SPOKESMEN HERE REGARD THIS LINE AS MERELY A SMOKE SCREEN
TO PROTECT JAPANESE MILLING INTERESTS.

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4. OUR NEW ZEALAND CONTACTS HAVE EMPHASIZED ONE
POINT: THE SECRECY OF THE AGREEMENT WAS NOT AT THEIR
REQUEST OR LIKING, BUT THE JAPANESE SIMPLY SAID: "NO
SECRECY, NO AGREEMENT." IN THIS CONNECTION, WE
BELIEVE WE HAVE DONE ALL WE CAN TO ELICIT DETAILS HERE
AND WOULD SUGGEST THAT PERHAPS AMEMBASSY TOKYO MIGHT
HAVE BETTER SUCCESS.

5. THE JAPANESE, OF COURSE, CAME TO WELLINGTON SEEKING
ACCESS TO NEW ZEALAND'S FISH, AND IN THIS THEY WERE
NOT DISAPPOINTED. AS A QUID PRO QUO FOR THE TRADE
ACCORD, THE GOVERNMENT OF NEW ZEALAND HAS AGREED TO
BEGIN NEGOTIATIONS FOR JAPANESE ACCESS TO FISHING
RESOURCES IN THIS COUNTRY'S 200-MILE
ECONOMIC ZONE. TALKS ARE SLATED TO START LATER THIS
MONTH. WE ARE TOLD THEY WILL BE ALONG THE LINES OF
THOSE HELD RECENTLY WITH KOREA AND THE USSR AND THAT
THE JAPANESE WILL RECEIVE NO SPECIAL TREATMENT OR
PRIVILEGES NOT ACCORDED THE OTHER TWO NATIONS. THE
FISHING AGREEMENT WILL BE SUBJECT TO ANNUAL REVIEW AS,
WE ARE TOLD, WILL BE JAPANESE PROGRESS ON MEETING
NEW ZEALAND'S TRADE REQUESTS IN OTHER FIELDS.

6. WITH THE LIMITED FACTS AVAILABLE, IT IS DIFFICULT

TO KNOW WHO, IF ANYONE, WAS THE WINNER IN THIS
CONTRETEMPS. AT WORST, THE NEW ZEALANDERS FEEL THEY
HAVE MADE THE JAPANESE RECOGNIZE THEM AS A CREDIBLE
PARTICIPANT ON THE INTERNATIONAL TRADING SCENE AND HAVE
GAINED VALUABLE NEGOTIATING EXPERIENCE. AT BEST, THE
NEW ZEALANDERS HAVE GOTTEN A TOE OR TWO THROUGH THE
JAPANESE DOOR AND MAY HAVE ESTABLISHED A RELATIONSHIP
WHICH WILL ASSIST IN MOVING THIS COUNTRY OUT OF ITS
PRESENT ECONOMIC MALAISE. SELDEN
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